

ROUTING

**Top Secret 233**

(Security Classification)

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NATIONAL INTELLIGENCE DAILY CABLE

Saturday September 18, 1976

CI NIDC 76-220C



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**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions

State Dept. review completed

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National Intelligence Daily Cable for Saturday September 18, 1976.

The NID Cable is for the purpose of informing senior US officials.

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## LEBANON: Situation Report

25X1 [ ] Syria's last-minute decision not to send Prime Minister Khulayfawi to the meeting of Syrian, Lebanese, and Palestinian representatives that convened in Shaturah yesterday has dampened hopes that the talks will produce a cease-fire. Deputy Defense Minister Jamil, a comparatively low-level representative, is attending the talks, which will resume tomorrow after Lebanese president-elect Sarkis returns from a meeting with President Sadat in Cairo.

25X1 [ ] The leftist press in Beirut has criticized the Syrian move, characterizing it as evidence that Syria is not seriously interested in a truce. Although some Palestinians apparently opposed Yasir Arafat negotiating with anyone of lower rank than Khulayfawi, Arafat is participating in the talks along with Sarkis and Arab League mediators.

25X1 [ ] Syria's reasons for lowering its profile at the tripartite meeting are not clear. There is some speculation that the Syrians want to test the waters with Arafat and--if sufficiently encouraged by his attitude--may invite him to come to Damascus for direct talks with President Asad.

25X1 [ ] It seems unlikely, however, that Asad would want to undertake any new initiatives with Arafat just before the inauguration of Sarkis, if for no other reason than to avoid any risk of upsetting plans for the transfer of power. Camille Shamun, speaking in his capacity as acting prime minister, announced yesterday that Sarkis must take his oath of office before Parliament if his installation is to be considered legal. He also announced that the swearing-in ceremony will take place in Beirut in an unspecified location near the national museum.

25X1 [ ] Shamun probably was conveying plans that have been accepted by all the principal players, but his remarks about the necessity of Sarkis appearing before Parliament are only his own interpretation of an ambiguous point in the constitution.

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[ ] Egyptian President Sadat delivered an address aimed at the Lebanese people yesterday that emphasized Egypt's commitment to the unity and independence of Lebanon. Although Sadat could not resist several swipes at Syria's role in the conflict, his remarks were intended mainly to highlight Egypt's recent entrance into efforts to negotiate a settlement and to show support for Sarkis on the eve of his visit to Cairo.

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[ ] Sarkis is expected to ask Sadat to urge the Palestinians to be more flexible, and he may broach the sensitive subject of Egypt's efforts to resupply the Palestinian and Lebanese leftists militias. [ ]

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#### PANAMA: Relations with US

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[ ] The Panamanian government has launched an anti-US propaganda campaign--including a formal protest over alleged US interference in Panama's affairs--in an effort to redirect domestic protest over economic issues and to press the US to schedule another round of Panama Canal treaty negotiations soon.

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[ ] The government alleges that residents of the US Canal zone, US intelligence agencies, and members of the Panamanian elite were behind the looting and vandalism during the past week that accompanied protests over price increases. The government-controlled press has headlined the charges and Foreign Minister Boyd has formally protested to US Ambassador Jorden.

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[ ] The Panamanians are holding several persons they claim are US servicemen involved in inciting the protests. The US embassy, however, has information that only one US serviceman was actually arrested on a protest-related charge. The embassy has formally denied any US official involvement in the disorders.

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[ ] Most Panamanian leaders probably recognize the trumped-up nature of the government's claims. The anti-US campaign is a result of Panamanian strongman General Torrijos' initial failure to deal effectively with the protests.

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25X1 [ ] Torrijos' cautious approach last week, attempting only to contain the demonstrations, led to further disorders. [ ]

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25X1 [ ] Torrijos hopes his anti-US tactics will:

--Rally people behind his government by shifting the blame both for the demonstrations and for the country's economic difficulties.

--Provide a rationale, if necessary, for suppressing protests by students, who are now being cast as tools of the CIA.

--Spur the campaign to press the US to renew canal treaty negotiations on key issues prior to the US elections--or at least place the onus for further delays squarely on the US.

25X1 [ ] Boyd, in a press conference yesterday, said there was a crucial need for a renewal of talks. There is a growing chance Boyd will formally raise the canal treaty issue at the UN General Assembly.

25X1 [ ] A strong show of force by the National Guard with additional arrests on Thursday and Friday, along with a promise that high government officials would meet with students, has halted the demonstrations, at least temporarily. This weekend, like last, will probably provide a respite from further disorders.

25X1 [ ] The government continues to confine its campaign to a propaganda battle. It apparently still does not want to risk inciting a major anti-US street protest which might get out of control or could turn against the regime itself. [ ]

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FINLAND: Government Resigns

25X1 [ ] Finland's five-party coalition government resigned yesterday after failing to agree on budgetary legislation. This is the third major challenge faced by the nine-month-old coalition.

25X1 [ ] The coalition survived the other tests largely because of the efforts of President Kekkonen. Although Kekkonen said he will not interfere this time, he may try to avoid a new election by asking the four noncommunist parties--which have a majority in Parliament--to try to form a new government. Prospects for a successful outcome are not bright, however, because of deep-seated differences among the noncommunists over economic issues.

25X1 [ ] If a new election is called, it would probably be held in early November. Based on polls last spring, a new election probably would not lead to marked changes in the composition of Parliament, and would probably result in another shaky coalition.

25X1 [ ] If Kekkonen does not ask the old government to remain in caretaker status until the election, he may appoint a government of civil servants to carry on business during the interregnum. In the past, such governments have been used to enact contentious legislation that regularly elected parliaments were unable to pass. [ ]

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SWEDEN: Election Poll

25X1 [ ] The last public opinion poll before the election tomorrow and Monday gives the ruling Social Democrats and the small Communist Party a slight edge. Although the lead is only .4 of a percent and the poll allows for a margin of error of 2 percent, the Social Democrats appear to be duplicating their last minute spurt in 1973.

25X1 [ ] The poll showed the Conservative Party had dropped nearly 2 percent since the previous poll in August, the Liberals were down nearly a point, and the Center Party remained the same. Both the Social Democrats and the Communists, meanwhile, increased in popularity. The nuclear energy issue, which has dominated the late stages of the campaign and could help the nonsocialist parties, is an uncertain factor.

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INTERNATIONAL MONETARY: Gold

[REDACTED] Gold prices rebounded sharply yesterday to \$119.50 an ounce in London, the highest afternoon price in two months. Prices have risen \$8.25 since Wednesday when the International Monetary Fund held its third gold auction.



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[REDACTED] Many dealers attribute the buying to covering short positions taken in the expectation that this week's auction would drive prices down. Prices fell sharply after the second IMF auction, declining from about \$122 in mid-July to lows of just over \$100 an ounce in late August.

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[REDACTED] Press reports following the meeting of the EC Monetary Committee on September 10 apparently contributed to the recent market recovery.

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[REDACTED] The EC reportedly had agreed unanimously to ask the IMF to follow a "more flexible" approach in its gold auctions. Many speculators apparently felt the Fund would be asked to delay or scale down the size of future auctions. In fact, the EC did not reach a consensus on a specific position.

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[REDACTED] In addition, some speculators may be betting that continued political difficulties in South Africa--the world's leading gold producer--will effect future production. [REDACTED]

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